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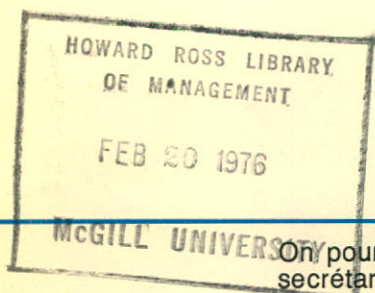
**Aluminum Company of Canada, Ltd**

**and Subsidiary Companies**



**1975**

**Financial Statements**



On pourra se procurer le texte français de ce rapport en s'adressant au  
secrétariat de la Compagnie, case postale 6090, Montréal, Canada, H3C 3H2

# Aluminum Company of Canada, Ltd

and Subsidiary Companies

## CONSOLIDATED STATEMENT OF INCOME

year ending 31 December 1975

|                                                         | in thousands of U.S. dollars |                  |
|---------------------------------------------------------|------------------------------|------------------|
|                                                         | 1975                         | 1974             |
| REVENUES                                                |                              |                  |
| Sales                                                   | \$1,407,019                  | \$1,429,280      |
| Operating revenues                                      | 72,945                       | 80,995           |
| Other income (note 8)                                   | 6,700                        | 9,170            |
|                                                         | <u>1,486,664</u>             | <u>1,519,445</u> |
| COSTS AND EXPENSES                                      |                              |                  |
| Cost of sales and operating expenses                    | 1,251,133                    | 1,200,867        |
| Depreciation and depletion                              | 65,212                       | 60,250           |
| Selling, research and administrative expenses           | 97,264                       | 91,355           |
| Interest on debt not maturing within one year           | 56,336                       | 50,161           |
| Other interest                                          | 10,606                       | 16,230           |
| Other expenses                                          | 4,767                        | 6,475            |
|                                                         | <u>1,485,318</u>             | <u>1,425,338</u> |
| INCOME BEFORE INCOME TAXES AND EQUITY INCOME            | <u>1,346</u>                 | <u>94,107</u>    |
| Income taxes (note 9)                                   |                              |                  |
| Current                                                 | 88                           | 11,699           |
| Deferred                                                | 2,249                        | 19,435           |
|                                                         | <u>2,337</u>                 | <u>31,134</u>    |
| INCOME BEFORE EQUITY INCOME                             | <u>(991)</u>                 | <u>62,973</u>    |
| Equity in net income of companies 20-50% owned (note 1) | <u>1,535</u>                 | <u>819</u>       |
| NET INCOME                                              | <u>\$ 544</u>                | <u>\$ 63,792</u> |

# Aluminum Company of Canada, Ltd

and Subsidiary Companies

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

year ending 31 December 1975

|                                              | in thousands of U.S. dollars |                  |
|----------------------------------------------|------------------------------|------------------|
|                                              | 1975                         | 1974             |
| <b>SOURCE OF FUNDS</b>                       |                              |                  |
| Net income                                   | \$ 544                       | \$ 63,792        |
| Depreciation and depletion                   | 65,212                       | 60,250           |
| Deferred income taxes                        | 2,249                        | 19,435           |
| Other                                        | (763)                        | (249)            |
| From operations                              | <b>67,242</b>                | <b>143,228</b>   |
| New debt                                     | 36,858                       | 180,885          |
| Preferred shares                             | 49,235                       | —                |
| Common shares                                | 9,847                        | 50,585           |
| Disposals of plant and equipment             | 10,797                       | 5,046            |
| Other                                        | 29,359                       | (2,201)          |
|                                              | <b>203,338</b>               | <b>377,543</b>   |
| <b>APPLICATION OF FUNDS</b>                  |                              |                  |
| Plant and equipment                          | 112,642                      | 150,722          |
| Investments                                  | 2,064                        | 17,618           |
| Debt repayments                              | 52,396                       | 30,685           |
| Redemption of preferred shares (par value)   | 1,817                        | 4,275            |
| Dividends                                    | 12,247                       | 36,435           |
|                                              | <b>181,166</b>               | <b>239,735</b>   |
| <b>INCREASE IN WORKING CAPITAL (note 11)</b> | <b>22,172</b>                | <b>137,808</b>   |
| Working capital — beginning of year          | <b>375,977</b>               | <b>238,169</b>   |
| <b>WORKING CAPITAL — END OF YEAR</b>         | <b>\$398,149</b>             | <b>\$375,977</b> |

# Aluminum Company of Canada, Ltd

and Subsidiary Companies

## CONSOLIDATED BALANCE SHEET — ASSETS

31 December 1975

|                                                     | in thousands of U.S. dollars |                        |
|-----------------------------------------------------|------------------------------|------------------------|
|                                                     | 1975                         | 1974                   |
| Current assets                                      |                              |                        |
| Cash and time deposits                              | \$ 27,441                    | \$ 29,221              |
| Receivables                                         | 168,214                      | 164,549                |
| Receivable from affiliated companies                | 81,570                       | 106,930                |
| Aluminum                                            | 186,750                      | 205,596                |
| Raw materials and other supplies                    | 262,827                      | 242,454                |
|                                                     | <u>726,802</u>               | <u>748,750</u>         |
| Deferred charges                                    | 20,661                       | 20,506                 |
| Deferred receivables (note 2)                       | 56,216                       | 56,254                 |
| Investments in companies owned 50% or less (note 1) | 27,226                       | 27,676                 |
| Property, plant and equipment (note 3)              | 2,013,053                    | 1,934,092              |
| Less: Accumulated depreciation and depletion        | 1,146,807                    | 1,104,448              |
|                                                     | <u>866,246</u>               | <u>829,644</u>         |
| <br>TOTAL ASSETS                                    | <br><u>\$1,697,151</u>       | <br><u>\$1,682,830</u> |



**Aluminum Company of Canada, Ltd**  
and Subsidiary Companies

**CONSOLIDATED BALANCE SHEET — LIABILITIES AND SHAREHOLDERS' EQUITY**

31 December 1975

|                                                       | in thousands of U.S. dollars |                    |
|-------------------------------------------------------|------------------------------|--------------------|
|                                                       | 1975                         | 1974               |
| Current liabilities                                   |                              |                    |
| Payables                                              | \$ 165,284                   | \$ 213,592         |
| Short-term borrowings                                 | 68,077                       | 104,959            |
| Payable to affiliated companies                       | 13,792                       | 2,645              |
| Payable to parent company                             | 53,595                       | 714                |
| Income and other taxes                                | 3,111                        | 24,716             |
| Debt maturing within one year (note 4)                | 24,794                       | 26,147             |
|                                                       | <u>328,653</u>               | <u>372,773</u>     |
| Debt not maturing within one year (note 4)            | 620,670                      | 636,208            |
| Deferred credits (note 5)                             | 40,199                       | 12,748             |
| Deferred income taxes                                 | 122,693                      | 120,396            |
| Shareholders' equity                                  |                              |                    |
| Cumulative redeemable preferred shares (note 7)       |                              |                    |
| 4% First preferred sinking fund — par Can. \$25       |                              |                    |
| Authorized — 158,526 shares (1974 — 600,000)          |                              |                    |
| Outstanding — 157,076 shares (1974 — 167,346)         | 3,570                        | 3,803              |
| 4½% Second preferred sinking fund — par Can. \$50     |                              |                    |
| Authorized — 503,508 shares (1974 — 1,200,000)        |                              |                    |
| Outstanding — 498,077 shares (1974 — 529,294)         | 25,283                       | 26,867             |
| Third preferred — par Can. \$25                       |                              |                    |
| Authorized — 4,000,000 shares                         |                              |                    |
| Outstanding — 2,000,000 shares                        | 49,235                       | —                  |
| Common shares — without nominal or par value (note 7) |                              |                    |
| Authorized — 20,000,000 shares                        |                              |                    |
| Outstanding — 10,200,000 shares (1974 — 10,000,000)   | 249,604                      | 239,757            |
| Retained earnings (note 6)                            | 257,244                      | 270,278            |
|                                                       | <u>584,936</u>               | <u>540,705</u>     |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>     | <b>\$1,697,151</b>           | <b>\$1,682,830</b> |

Approved by the Board:

PAUL H. LEMAN, Director

JOHN H. HALE, Director

# Aluminum Company of Canada, Ltd

## and Subsidiary Companies

### CONSOLIDATED STATEMENT OF RETAINED EARNINGS — year ending 31 December 1975

|                                                                                                                           | in thousands of U.S. dollars |                |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------|
|                                                                                                                           | 1975                         | 1974           |
| RETAINED EARNINGS — beginning of year                                                                                     | \$ 270,278                   | \$242,921      |
| Net income                                                                                                                | 544                          | 63,792         |
|                                                                                                                           | <u>270,822</u>               | <u>306,713</u> |
| Underwriting commission and expense of issue (net of tax)<br>of \$2.00 Tax deferred retractable preferred shares (note 7) | 1,331                        | —              |
| Dividends                                                                                                                 |                              |                |
| 4% First preferred                                                                                                        | 155                          | 173            |
| 4½% Second preferred                                                                                                      | 1,109                        | 1,262          |
| \$2.00 Tax deferred retractable preferred                                                                                 | 983                          | —              |
| Common                                                                                                                    | 10,000                       | 35,000         |
|                                                                                                                           | <u>12,247</u>                | <u>36,435</u>  |
| RETAINED EARNINGS — end of year (note 6)                                                                                  | \$ 257,244                   | \$270,278      |

### NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars

#### 1. SUMMARY OF ACCOUNTING POLICIES

##### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all companies more than 50% owned. In addition, the equity accounting principle was adopted in 1975 for all companies 20%-50% owned and the investments in these companies have been increased by the Company's share of their undistributed net income since acquisition. This change had an insignificant effect on consolidated retained earnings at 31 December 1974.

When the cost of an investment exceeds the book value of the Company's equity therein at date of acquisition, the excess is amortized over the estimated useful life of the related fixed assets. Intercompany items and transactions between consolidated companies, including profits in inventories, are eliminated.

##### TRANSLATION OF ACCOUNTS INTO UNITED STATES DOLLARS

The consolidated financial statements are expressed in U.S. dollars since this is the principal currency of international trade in which the Company's business is mainly involved.

Accounts included in the consolidated statement of income, except depreciation and depletion, are translated at average rates of exchange prevailing during the year. Accounts included in the consolidated balance sheet are translated at rates of exchange at year end except that (a) inventories, investments, fixed assets and accumulated depreciation and depletion are at rates at dates of acquisition, (b) deferred income taxes are at rates at dates of origin and (c) debts not maturing within one year are at rates at dates of issue. Translation adjustments, not significant in amount, are included in income.

In October 1975 the Financial Accounting Standards Board in the United States issued Statement No. 8 which requires that companies reporting to investors in the United States adopt the practice of translating long-term debt at current rates of exchange. However, as the Company's borrowings in currencies other than U.S. dollars have been invested for the most part in the country of the borrowing and will be repaid out of funds generated in the same currency, it could be misleading and cause violent fluctuations in reported earnings to recognize immediately translation gains or losses which arise from changes in exchange rates. Accordingly, the Company has not adopted the current rate method for 1975 but has continued to follow the policy of translating such debt at historic rates, an accounting practice which is generally accepted in Canada. The following table compares reported net income with the net income that would have been reported using the FASB current rate method, and also shows the cumulative effect on retained earnings.



# Aluminum Company of Canada, Ltd

and Subsidiary Companies

## NOTES TO FINANCIAL STATEMENTS — In thousands of U.S. dollars

|                                | 1975           |                           | 1974           |                           |
|--------------------------------|----------------|---------------------------|----------------|---------------------------|
|                                | As<br>Reported | Current<br>Rate<br>Method | As<br>Reported | Current<br>Rate<br>Method |
| Consolidated net income        |                |                           |                |                           |
| First quarter (unaudited)      | \$ (556)       | \$ 1,257                  | \$ 12,150      | \$ 7,583                  |
| Second quarter (unaudited)     | (574)          | 4,056                     | 25,364         | 26,001                    |
| Third quarter (unaudited)      | 5,171          | 7,431                     | 21,530         | 23,788                    |
| Fourth quarter (unaudited)     | (3,497)        | (7,052)                   | 4,748          | 5,126                     |
|                                | 544            | 5,692                     | 63,792         | 62,498                    |
| Consolidated retained earnings |                |                           |                |                           |
| Beginning of year              | \$270,278      | \$269,296                 | \$242,921      | \$243,233                 |
| End of year                    | 257,244        | 261,410                   | 270,278        | 269,296                   |

### DEFERRED INCOME TAXES

Income tax regulations in Canada and certain other countries permit the deduction from taxable income of certain items (principally depreciation) in amounts which do not coincide with those charged for financial reporting purposes. The effect of such timing differences on income taxes otherwise payable is recognized as deferred income taxes.

### INVENTORIES

Aluminum, raw materials and other supplies are stated at cost or net realizable value, whichever is the lower. The cost of inventories other than those in the United States is determined for the most part on the monthly average method. The cost of inventories of a subsidiary in the United States amounting to \$107 million is determined by the last-in first-out method, which is permitted for income tax purposes. Had such inventories been valued on the monthly average method, the value would have been \$41 million higher.

### OTHER

Property, plant and equipment includes the cost of renewals and betterments. Repairs and maintenance are charged against income as incurred.

Depreciation is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

## 2. DEFERRED RECEIVABLES

Deferred receivables include \$46 million due from the Government of Guyana over the period 1977 to 1991 in respect of the nationalization in 1971 of Alcan's bauxite and alumina assets in that country. This amount bears interest at 6% per annum.

## 3. PROPERTY, PLANT AND EQUIPMENT

|                                            | Cost        | Accum.<br>Deprec. | Net<br>1975 | Net<br>1974 |
|--------------------------------------------|-------------|-------------------|-------------|-------------|
| Land, and water rights                     | \$ 48,798   | \$ 313            | \$ 48,485   | \$ 49,338   |
| Mineral properties, rights and development | 15,160      | 5,889             | 9,271       | 9,585       |
| Raw material, power and other facilities   | 867,921     | 546,812           | 321,109     | 328,346     |
| Smelting facilities                        | 710,974     | 429,576           | 281,398     | 248,721     |
| Fabricating facilities                     | 370,200     | 164,217           | 205,983     | 193,654     |
|                                            | \$2,013,053 | \$1,146,807       | \$ 866,246  | \$ 829,644  |

Expenditures in 1976 are expected to be approximately \$125 million.

# Aluminum Company of Canada, Ltd

## and Subsidiary Companies

### NOTES TO FINANCIAL STATEMENTS — In thousands of U.S. dollars

#### 4. DEBT NOT MATURING WITHIN ONE YEAR

|                                                                                                                                                                    | 1975      | 1974      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Aluminum Company of Canada, Ltd.                                                                                                                                   |           |           |
| *Bank loans under \$200 million revolving credit agreement, due 1979/1983                                                                                          | \$120,000 | \$145,000 |
| 4½% Sinking fund debentures, due 1980                                                                                                                              | 25,168    | 29,955    |
| 9½% Sinking fund debentures, due 1995                                                                                                                              | 100,000   | 100,000   |
| 9¾% Sinking fund debentures, due 1991 (Can. \$60 million)                                                                                                          | 59,406    | 59,406    |
| 10¾% Sinking fund debentures, due 1994 (Can. \$75 million)                                                                                                         | 76,500    | 76,500    |
| 7½% Serial debentures, due 1976/1979 (Can. \$40 million)                                                                                                           | 39,800    | 39,800    |
| 5.10% Notes, due 1976/1992                                                                                                                                         | 76,500    | 81,000    |
| Other debt, due 1976/1998                                                                                                                                          | 8,871     | 10,027    |
| Alcan Aluminum Corporation (U.S.A.)                                                                                                                                |           |           |
| 4¾% Notes, due 1976/1984                                                                                                                                           | 30,600    | 34,000    |
| 9½% Notes, due 1980/1994                                                                                                                                           | 45,000    | 31,250    |
| Other debt, due 1976/1990                                                                                                                                          | 4,381     | 8,123     |
| Alcan (Bermuda) Limited                                                                                                                                            |           |           |
| 7¾% Notes, due 1976/1978 (Lire 9 billion)                                                                                                                          | 14,375    | 15,975    |
| Alcan Jamaica Limited                                                                                                                                              |           |           |
| *Bank loans, due 1978/1980                                                                                                                                         | 44,400    | 32,983    |
| Sundry debt of other subsidiaries                                                                                                                                  | 531       | 18        |
|                                                                                                                                                                    | 645,532   | 664,037   |
| Less: Debt maturing within one year included in current liabilities (equivalent to \$24.8 million and \$26.1 million, respectively, at year-end rates of exchange) | 24,862    | 27,829    |
|                                                                                                                                                                    | \$620,670 | \$636,208 |

\*Interest fluctuates with lender's prime commercial rate.

If translated into United States dollars at year-end rates of exchange, debt not maturing within one year would decrease by \$4.2 million and, if there were no further change in exchange rates, this amount would be credited to income as the debt matures.

After allowing for prepayments, sinking fund and other requirements over the next five years amount to \$24.9 million in 1976, \$30.9 in 1977, \$52.5 in 1978, \$49.2 in 1979 and \$55.7 in 1980.

#### 5. DEFERRED CREDITS

Deferred credits include \$20 million prepayment by an associated company under an alumina tolling arrangement and \$14 million gross profit arising from the sale of metal under special arrangements to an affiliated company.

#### 6. DIVIDEND RESTRICTIONS

Pursuant to the provisions of certain debt issues, \$83 million of retained earnings at 31 December 1975 is not distributable as dividends either in cash or in kind on the common shares of the Company.



# Aluminum Company of Canada, Ltd

and Subsidiary Companies

## NOTES TO FINANCIAL STATEMENTS — In thousands of U.S. dollars

### 7. PREFERRED AND COMMON SHARES

The authorized number of preferred shares at 31 December 1974 was reduced in 1975 as follows:

|                      | Previously<br>authorized | Presently<br>authorized |
|----------------------|--------------------------|-------------------------|
| 4% First preferred   | 600,000                  | 158,526                 |
| 4½% Second preferred | 1,200,000                | 503,508                 |

The authorized capital was increased on 5 November 1975 by the creation of 4,000,000 cumulative redeemable third preferred shares of the par value of Can. \$25 each and 2,000,000 of such shares were designated as \$2.00 Tax deferred retractable preferred shares. On 1 December 1975 the Company issued all of such \$2.00 Tax deferred retractable preferred shares for a total consideration of Can. \$48,340,000 after payment of an underwriting commission of Can. \$1,660,000.

Maximum annual sinking fund requirements for the retirement of the first and second preferred shares amount to the equivalent of Can. \$2.7 million per annum. The 1976 sinking fund requirements have been met by purchases in the open market.

The preferred shares also may be called for redemption at the option of the Board of directors at the following prices:

4% First preferred shares — on twenty days' notice at Can. \$26.375 per share

4½% Second preferred shares — on thirty days' notice (a) for other than sinking fund purposes at Can. \$52.00 per share to 30 November 1976 and thereafter at Can. \$51.75 per share, and (b) for sinking fund purposes, at Can. \$51.50 per share.

\$2.00 Tax deferred retractable preferred shares — on thirty days' notice at Can. \$27.00 per share during the twelve months beginning 1 December 1980, Can. \$26.80 during the succeeding twelve months and reducing by Can. \$0.30 per share in each of the succeeding twelve-month periods until 30 November 1987 after which the shares will be redeemable at Can. \$25.00 per share.

Any partial redemption must be made on a pro rata basis or by lot.

On 29 December 1975, the Company issued 200,000 Common Shares to Alcan Aluminium Limited, the parent company, for a cash consideration of Can. \$10 million.

### 8. OTHER INCOME

|                            | 1975           | 1974           |
|----------------------------|----------------|----------------|
| Interest                   | \$4,891        | \$5,518        |
| Gain on redemption of debt | 485            | 2,004          |
| Other                      | 1,324          | 1,648          |
|                            | <u>\$6,700</u> | <u>\$9,170</u> |

### 9. INCOME TAXES

The difference between the effective tax rate and prevailing tax rates in Canada results primarily from losses sustained by a subsidiary company in Jamaica, for which no future income tax benefit is anticipated, offset in part by the effect of investment allowances available to the Company in Canada.

### 10. COMMITMENTS

The Company has entered into purchase agreements and tolling arrangements involving fixed commitments of \$78.5 million in 1976, \$63.7 in 1977, \$69.0 in 1978, \$74.0 in 1979 and \$75.8 in 1980.

Minimum rental commitments under long-term leases, including charter hire of ships, amount to \$24.7 million in 1976, \$15.7 in 1977, \$8.4 in 1978, \$7.1 in 1979, \$6.7 in 1980 and lesser annual amounts thereafter. Total rental expense amounted to \$51.7 million for 1975 (1974 — \$58.3).

See also reference to capital expenditures in note 3 and debt repayments in note 4.



# Aluminum Company of Canada, Ltd

## and Subsidiary Companies

### NOTES TO FINANCIAL STATEMENTS — In thousands of U.S. dollars

#### 11. CHANGES IN WORKING CAPITAL

|                                            | 1975       | 1974       |
|--------------------------------------------|------------|------------|
| Current assets                             |            |            |
| Cash and time deposits                     | \$ (1,780) | \$ (6,393) |
| Receivables                                | 3,665      | 20,129     |
| Receivable from affiliated companies       | (25,360)   | 41,153     |
| Aluminum, raw materials and other supplies | 1,527      | 153,674    |
|                                            | (21,948)   | 208,563    |
| Current liabilities                        |            |            |
| Payables and short-term borrowings         | (85,190)   | 133,007    |
| Payable to affiliated companies            | 11,147     | (3,602)    |
| Payable to parent company                  | 52,881     | (43,086)   |
| Income and other taxes                     | (21,605)   | 10,747     |
| Debt maturing within one year              | (1,353)    | (26,311)   |
|                                            | (44,120)   | 70,755     |
| Net increase                               | \$ 22,172  | \$137,808  |

#### 12. PENSION PLANS

The Company and its subsidiaries have established pension plans in the principal countries where they operate, for the greater part contributory and generally open to all employees. The total pension expense for 1975 was \$22.6 million (1974 — \$18.8) which includes, as to certain of the plans, amortization of unfunded actuarial liabilities which the Company and its subsidiaries are funding. Based on the most recent actuarial reports, the unfunded actuarial liability for all plans amounted to \$66 million, which for the most part is being funded over a period of 15 years. However, assets now in the pension funds are sufficient to cover currently vested benefits.

#### 13. REMUNERATION OF DIRECTORS AND OFFICERS

The Company has 12 directors who receive no remuneration as such. There are 12 officers, five of whom are directors of the Company. The aggregate remuneration received from the Company by these officers and by past officers amounted to \$943,792 in 1975 (\$1,087,525 in 1974).

#### 14. ANTI-INFLATION PROGRAM IN CANADA

The Company and its Canadian subsidiaries are subject to the anti-inflation legislation recently enacted in Canada with effect from 14 October 1975, which provides for restraint of prices, profit margins, dividends and employee compensation. The legislation is supported by complex regulations, the full impact of which cannot be determined at this time.

### AUDITORS' REPORT

To the Shareholders of Aluminum Company of Canada, Ltd

We have examined the consolidated balance sheets of Aluminum Company of Canada, Ltd and subsidiary companies as at 31 December 1975 and 1974 and the related consolidated statements of income, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at 31 December 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Montréal, Canada  
28 January 1976

PRICE WATERHOUSE & Co.  
Chartered Accountants